

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0238-01  
Bill No.: SB 39  
Subject: Tax Credits; Taxation and Revenue - Property  
Type: Original  
Date: January 10, 2013

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Bill Summary: This proposal re-authorizes the Missouri Homestead Preservation Tax Credit program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0	\$0 or (\$1,092,757)	\$0 or (\$1,092,757)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0 or (\$1,092,757)</b>	<b>\$0 or (\$1,092,757)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal would have no fiscal impact on BAP. This proposal renews the Homestead Preservation Credit beginning with tax year 2014, and sunsets four years after its effective date. This proposal provides state funding to local governments to apply as credits on qualifying tax bills. This proposal will not reduce General and Total State Revenues, but will increase General Revenue expenditures to the extent funds are appropriated. \$2.4 million was issued under this program in FY 2010, and \$0.8 million in FY 2011.

Officials at the **Department of Revenue** assume that the Division of Taxation and ITSD-DOR will need to make updates to the Homestead Preservation Credit system and its forms. The cost is estimated at \$36,355 for 1,344 FTE hours.

**Oversight** assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

Officials at the **Department of Revenue** assume the Personal Tax Division will need one Revenue Processing Technician I (at \$25,884 per year) per 4,000 tax credits redeemed.

This proposal requires an appropriation before the credit can be claimed and it is unclear how many credits would be claimed. **Oversight** will assume the Department of Revenue could absorb the work of this proposal with existing staff. If unanticipated additional costs are incurred or the number of credits redeemed reaches the stated levels, then the Department could request additional resources through the budget process.

Officials at the **Department of Elementary and Secondary Education** assume this proposal would not impact state revenues; however, it would have a negative impact on the revenue stream of local governments. The Department has no means to calculate that impact.

Officials at the **City of Columbia, City of Kansas City, City of Richmond, Joint Committee on Administrative Rules, Parkway School District** and the **State Tax Commission** each assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials at the **St. Louis County** assume no losses as long as the state reimburses the county and taxing jurisdictions.

Officials at the **Nixa School District** assume an unknown negative impact.

According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Homestead Preservation tax credit program had the following activity;

	FY 2010	FY 2011	projected FY 2012
Amount Issued	\$2,478,624	\$773,465	\$0

**Oversight** assumes this credit previously sunset on June 28, 2010. This proposal extends this tax credit beginning on January 1, 2014 (FY 2014) and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2015 and FY 2016 due to when the tax returns are filed. This tax credit does not have an annual cap but requires an appropriation by the General Assembly. Oversight will reflect the loss of revenue to the State as zero (no appropriation is made) or the average amount issued over the last four years (\$1,092,757) if an appropriation is made.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2017. Oversight assumes any income to the state from these tax credits not issued and the taxes being collected is outside the fiscal note period.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of

ASSUMPTION (continued)

regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials at the following schools: Blue Springs Public Schools, Branson Public Schools, Columbia Public Schools, Fair Grove Schools, Francis Howell Public Schools, Independence Public Schools, Jefferson City Public Schools, Kirksville Public Schools, Lee Summit Public Schools, Mexico Public Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, and Sullivan Public Schools did not respond to **Oversight's** request for fiscal impact.

Officials at the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - extension of the Homestead Preservation tax credit	<u>\$0</u>	<u>\$0 or</u> <u>(\$1,092,757)</u>	<u>\$0 or</u> <u>(\$1,092,757)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0 or</u></b> <b><u>(\$1,092,757)</u></b>	<b><u>\$0 or</u></b> <b><u>(\$1,092,757)</u></b>

FISCAL IMPACT - Local Government

FY 2014  
(10 Mo.)

FY 2015

FY 2016

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act reauthorizes the Homestead Preservation Act tax credit program which provided a property tax credit for qualified senior citizens and disabled individuals until it expired on August 28, 2010. This program is reauthorized beginning with the 2014 tax year and will sunset on December 31, 2017.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

City of Columbia  
City of Kansas City  
City of Richmond  
Department of Elementary and Secondary Education  
Department of Revenue  
Joint Committee on Administrative Rules  
Nixa School District  
Office of Administration  
    Budget and Planning  
Office of the Secretary of State  
Parkway School District  
State Tax Commission  
St. Louis County



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Ross Strobe  
Acting Director  
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